



Financial Statements  
June 30, 2021

**Desert Community College District  
Auxiliary Services**

Desert Community College District Auxiliary Services

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June 30, 2021

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## Independent Auditor's Report

The Board of Directors  
Desert Community College District Auxiliary Services  
Palm Desert, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Desert Community College District Auxiliary Services (the Auxiliary) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Auxiliary's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Auxiliary's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Auxiliary as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Rancho Cucamonga, California  
February 28, 2022

## Desert Community College District Auxiliary Services

Statement of Financial Position

June 30, 2021

## Assets

## Current assets

Cash	\$ 1,853,331
Accounts receivable	29,687
Accounts receivable - related party	632,047

Total current assets 2,515,065

## Noncurrent assets

Equipment, net	<u>45,049</u>
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Total assets \$ 2,560,114

## Liabilities and Net Assets

## Current liabilities

Accounts payable	\$ 100,833
Accounts payable - related party	307,924
Deposits	1,000

Total current liabilities 409,757

## Net assets

Without donor restrictions	2,056,918
With donor restrictions	93,439

Total net assets 2,150,357

Total liabilities and net assets \$ 2,560,114

Desert Community College District Auxiliary Services  
Statement of Activities  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ 660,047	\$ -	\$ 660,047
Commission income	115,591	-	115,591
Golf driving range	159	-	159
Net assets released from restrictions	350	(350)	-
	<u>776,147</u>	<u>(350)</u>	<u>775,797</u>
<b>Expenses</b>			
Program	631,197	-	631,197
Management and general	219,027	-	219,027
	<u>850,224</u>	<u>-</u>	<u>850,224</u>
<b>Other Income</b>			
Interest	1,019	-	1,019
	<u>1,019</u>	<u>-</u>	<u>1,019</u>
Change in Net Assets	(73,058)	(350)	(73,408)
Net Assets, Beginning of Year	<u>2,129,976</u>	<u>93,789</u>	<u>2,223,765</u>
Net Assets, End of Year	<u>\$ 2,056,918</u>	<u>\$ 93,439</u>	<u>\$ 2,150,357</u>

## Desert Community College District Auxiliary Services

Statement of Cash Flows  
Year Ended June 30, 2021

Operating Activities	
Change in net assets	\$ (73,408)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	16,214
Change in assets and liabilities	
Accounts receivable	44,461
Accounts receivable - related party	(632,047)
Accounts payable	(49,607)
Accounts payable - related party	147,656
	(546,731)
Net Cash Flows from Operating Activities	(546,731)
Net Change in Cash	(546,731)
Cash, Beginning of Year	2,400,062
Cash, End of Year	\$ 1,853,331

Desert Community College District Auxiliary Services  
Statement of Functional Expenses  
Year Ended June 30, 2021

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	Program	Management and General	Total
Golf driving range	\$ 159,377	\$ -	\$ 159,377
Support for District programs	471,820	-	471,820
Office supplies and miscellaneous	-	39,943	39,943
Payroll	-	150,979	150,979
Professional fees	-	11,891	11,891
Depreciation - golf driving range	-	16,214	16,214
	<u>\$ 631,197</u>	<u>\$ 219,027</u>	<u>\$ 850,224</u>
Total expenses	<u>\$ 631,197</u>	<u>\$ 219,027</u>	<u>\$ 850,224</u>



**Note 1 - Nature of Organization and Summary of Significant Accounting Policies**

The significant accounting policies followed by Desert Community College District Auxiliary Services (the Auxiliary) are described below to enhance the usefulness of the financial statements to the reader.

**Organization and Nature of Activities**

Desert Community College District Auxiliary Services (the Auxiliary) is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Law of the State of California. The Auxiliary was incorporated in the State of California in July 1985 pursuant to California Assembly Bill No. 2627, Chapter 858, *Community Colleges Auxiliary Organizations*, with the express purpose of promoting and assisting the educational programs of Desert Community College District (the District) in accordance with the mission, policies, and priorities of the District. The members of the Auxiliary's Board of Directors are composed of members from the District administration.

At June 30, 2021, the Board of Directors included:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Ramont	Chairperson	2021
Sai Vang	Vice Chairperson	2021
Tony Carillo Jr.	Secretary/Treasurer	2021
Dr. Joel Kinnamon	Member at Large	2021
Pam Hunter	Member at Large	2021

**Financial Statement Presentation**

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Auxiliary is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Auxiliary is required to present a statement of cash flows. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Auxiliary and the District are financially interrelated organizations as defined by ASC Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Auxiliary reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

**Net Assets**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets available for general operations and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use in operating the Auxiliary, as well as all property and equipment of the Auxiliary.

*Net Assets with Donor Restrictions* - Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Auxiliary reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue and Revenue Recognition**

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive.

The Auxiliary elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

Golf driving range income is recognized and recorded as unrestricted revenues in the year in which performance obligations are satisfied, typically when the activity or services are rendered.

Contributions, including unconditional promises to give are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released from restrictions.

### **Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires the Auxiliary to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

### **Cash**

Cash consists of cash held in checking and interest bearing checking accounts. The Auxiliary maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). Deposit concentration risk is managed by placing cash balances with financial institutions believed by the Auxiliary to be creditworthy. Management believes credit risk limited.

### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debts. At June 30, 2021, management determined all accounts receivable were fully collectable and no allowance for bad debts has been established.

### **Property and Equipment**

The Auxiliary's policy is to not capitalize acquired property and equipment except for golf driving range property and equipment. Property and equipment acquired are donated by memorandum to the District, where they are recorded within the District's property and equipment. Golf driving range property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of seven to twenty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. The Auxiliary maintains a unit capitalization threshold of \$500 and an estimated useful life of greater than one year.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

### **Income Taxes**

The Auxiliary is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Auxiliary has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible

contributions as provided in Section 170(b)(A)(vi). The Auxiliary annually files information returns Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

The Auxiliary has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

### **Allocation of Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, there are no shared costs among the program and supporting services that require allocation.

### **Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Cash	\$ 1,759,892
Accounts Receivable	656,325
	<hr/>
Total	\$ 2,416,217
	<hr/> <hr/>

### **Liquidity Management**

To manage liquidity, the Auxiliary structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff, on behalf of the Auxiliary management, monitor daily cash balances.

Additionally, on behalf of the Auxiliary, the District has implemented cash management procedures that include the monthly reconciliation of banked cash deposits and disbursements to related receipts and disbursement records.

### **Note 3 - Accounts Receivable**

As of June 30, 2021, the Auxiliary's accounts receivable balance of \$661,734 consisted of amounts due within the normal course of business, and all are due within one year.

**Note 4 - Equipment**

Equipment consisted of the following as of June 30, 2021:

Equipment	\$ 157,726
Less: accumulated depreciation	<u>(112,677)</u>
Capital assets, net	<u>\$ 45,049</u>

Depreciation expense for the year ended June 30, 2021, was \$16,214.

**Note 5 - Net Assets with Donor Restrictions**

Donor restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2021:

Scholarships	\$ 80,103
Program support	<u>13,336</u>
Total	<u>\$ 93,439</u>

**Note 6 - Related Party Transactions****Desert Community College District**

The District bills the Auxiliary for salaries, benefits, and other goods or services which are paid for by the District and reimbursed by the Auxiliary. Accordingly, at June 30, 2021, the Auxiliary owed the District \$307,924.

The Auxiliary also provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as District program support. During the year ended June 30, 2021, the Auxiliary provided \$471,820 in program support to the District. As part of the District's program expenditures, the District reimbursed the Auxiliary for lost revenues associated with the coronavirus pandemic. As such, as of June 30, 2021, the District owed the Auxiliary \$632,047.

**Note 7 - Subsequent Events**

The Auxiliary's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2021 through February 28, 2022, which is the date the financial statements were available to be issued.



Supplementary Information  
June 30, 2021

# Desert Community College District Auxiliary Services

## Desert Community College District Auxiliary Services

Fund Level Statement of Activities

Year Ended June 30, 2021

	General Operating Fund	Trust Agency Fund	Student Loan Fund	Total (Memorandum Only)
<b>Revenues</b>				
Contributions	\$ 660,047	\$ -	\$ -	\$ 660,047
Commission income				
Bookstore	115,184	-	-	115,184
Vending machines	407	-	-	407
Golf driving range	159	-	-	159
Assets released from restrictions	350	(350)	-	-
<b>Total revenues</b>	<b>776,147</b>	<b>(350)</b>	<b>-</b>	<b>775,797</b>
<b>Expenses</b>				
Program				
Golf driving range	159,377	-	-	159,377
Support for District programs	471,820	-	-	471,820
<b>Total program expenses</b>	<b>631,197</b>	<b>-</b>	<b>-</b>	<b>631,197</b>
Management and general Administrative	219,027	-	-	219,027
<b>Total expenses</b>	<b>850,224</b>	<b>-</b>	<b>-</b>	<b>850,224</b>
<b>Other Income</b>				
Interest	1,019	-	-	1,019
<b>Transfers</b>				
	-	(25,844)	25,844	-
<b>Change in Net Assets</b>	<b>(73,058)</b>	<b>(26,194)</b>	<b>25,844</b>	<b>(73,408)</b>
<b>Net Assets</b>				
Beginning of year	2,129,976	75,332	18,457	2,223,765
End of year	<u>\$ 2,056,918</u>	<u>\$ 49,138</u>	<u>\$ 44,301</u>	<u>\$ 2,150,357</u>
<b>Classification of Net Assets</b>				
Without donor restrictions	\$ 2,056,918	\$ -	\$ -	\$ 2,056,918
With donor restrictions	-	49,138	44,301	93,439
<b>Total net assets</b>	<b><u>\$ 2,056,918</u></b>	<b><u>\$ 49,138</u></b>	<b><u>\$ 44,301</u></b>	<b><u>\$ 2,150,357</u></b>

**Note 1 - Purpose of the Schedule**

The fund level statement of activities is presented on the full accrual basis of accounting. This information is not a required component of the financial statements, but is presented at the request of management to provide further information and analysis of the activities of the Auxiliary.